



**COUNTY OF LOS ANGELES
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September 8, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **HOMES FOR LIFE FOUNDATION CONTRACT REVIEW - A
DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of Homes for Life Foundation (HFLF or Agency), a Department of Mental Health (DMH) service provider. The purpose of our review was to determine whether HFLF complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in their County contract. Services include interviewing program clients, assessing their mental health needs, and developing and implementing a treatment plan.

DMH paid HFLF on a cost-reimbursement basis between \$2.02 and \$3.30 per minute of staff time (\$121.20 to \$198 per hour) for services or approximately \$1.7 million for Fiscal Year 2009-10. The Agency's headquarters is located in the Fourth District.

Results of Review

Generally, HFLF maintained sufficient internal controls over its business operations. The Agency appropriately allocated shared program expenditures and maintained sufficient documentation to support program expenditures charged to the DMH program. In addition, the Agency maintained documentation to support the service minutes sampled and staff assigned to the County contract possessed the required qualifications. However, HFLF did not complete some elements of the participants' Assessments, Client Care Plans and Progress Notes in accordance with the County contract. HFLF's attached response indicates that their managers will conduct regular

chart reviews to ensure the staff complete the charts in accordance with DMH standards.

We have attached the details of our review along with a recommendation for corrective action.

Review of Report

We discussed the results of our review with HFLF and DMH. In the attached response, the Agency concurred with our finding and recommendation.

We thank HFLF management for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Daniel Egdal, President, Board of Directors, HFLF
Carol M. Liess, Executive Director, HFLF
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
HOMES FOR LIFE FOUNDATION
FISCAL YEAR 2009-10**

BACKGROUND/PURPOSE

The Department of Mental Health (DMH) contracts with Homes for Life Foundation (HFLF or Agency), a private, non-profit, community-based organization that provides services to clients in Service Planning Areas 3, 5, 7 and 8. Services include interviewing program clients, assessing their mental health needs, and developing and implementing a treatment plan.

The purpose of our review was to determine whether HFLF complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

BILLED SERVICES

Objective

Determine whether HFLF provided the services billed in accordance with their County contract with DMH.

Verification

We judgmentally selected 35 billings totaling 2,835 minutes from 35,797 service minutes of approved Medi-Cal billings for July and August 2009, which were the most current billings available at the time of our review (February 2010). We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 2,835 minutes represent services provided to 15 program participants.

Results

HFLF maintained documentation to support 97% of the service minutes sampled. However, the Agency did not always complete some elements of the Assessments, Client Care Plans, and Progress Notes in accordance with the County contract requirements.

Assessments

HFLF did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the given diagnosis for six (40%) of the 15 clients sampled on their Assessments. An

Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow the DSM when diagnosing clients.

Client Care Plans

HFLF did not complete the Client Care Plans in accordance with the County contract for seven (47%) of the 15 clients sampled. Specifically, the Client Care Plans did not contain objectives that were specific and/or quantifiable.

Progress Notes

HFLF did not complete three (9%) of the 35 Progress Notes sampled in accordance with the County contract. Specifically, the Progress Notes billed for mental health services did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals.

Recommendation

1. **HFLF management ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

STAFFING LEVELS**Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section, as the Agency did not provide services that require staffing ratios for this particular program.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether HFLF treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 10 of the 21 HFLF treatment staff who provided services to DMH clients during July and August 2009.

Results

Each employee in our sample possessed the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash and other liquid assets.

Verification

We interviewed HFLF management and reviewed the Agency's financial records. We also reviewed the Agency's bank reconciliation for March 2010.

Results

HFLF maintained adequate controls over cash and liquid assets to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

Determine whether HFLF's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and selected eight shared expenditures totaling \$3,597 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

HFLF prepared their Cost Allocation Plan in compliance with the County contract and appropriately allocated their shared expenditures.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed.

Verification

We reviewed financial records and documentation to support 10 expenditures totaling \$16,490 for March 2010.

Results

HFLF's expenditures were allowable, accurately billed and supported by documentation as required.

Recommendation

None.

FIXED ASSETS**Objective**

Determine whether fixed assets depreciation costs charged to the DMH program were allowable under the County contract, properly documented and accurately billed.

We did not perform this test work in this section, as HFLF did not charge fixed assets depreciation costs to the DMH program.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files were maintained as required.

Verification

We traced the payroll expenditures totaling \$34,678 for 11 employees to the payroll records and time reports for March 2010. We also interviewed nine employees and reviewed personnel files for the 11 employees.

Results

HFLF's payroll expenditures were appropriately charged to the DMH program. In addition, the Agency maintained the personnel files as required.

Recommendation

None.

COST REPORT**Objective**

Determine whether HFLF's Fiscal Year (FY) 2008-09 Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2008-09 Cost Report to the Agency's accounting records.

Results

The Agency's total expenditures listed on their Cost Report reconciled to the Agency's accounting records.

Recommendation

None.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on July 30, 2007.

Results

Our prior monitoring report contained eight recommendations. HFLF implemented seven recommendations and one recommendation was no longer applicable.

Recommendation

None.



Homes for Life
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August 2, 2010

Wendy L. Watanabe, Auditor-Controller
County of Los Angeles, Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

Subject: Homes for Life Foundation July 21, 2010 Contract Review

Dear Ms. Watanabe:

Please find the following Plan of Correction for Results of our July 21, 2010 Audit Review and Recommendation under Billed Services:

Results

HFLF maintained documentation to support 97% of the service minutes sampled. However, the Agency did not always complete some elements of the Assessments, Client Care Plans and Progress Notes in accordance with the County contract requirements.

Recommendation

HFLF management ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.

Plan of Correction

Jennine Holzknicht, LCSW, Head of Services, Homes for Life Foundation, met with clinical staff on March 31, 2010 to discuss the audit findings as discussed during the preliminary exit conference. She again met with staff on July 28, 2010 following receipt of the Contract Review Memo received on July 21, 2010. On both occasions, Ms. Holzknicht reviewed DMH standards related to the AIA, AAU, CCP and Progress Notes and explained the findings in the County audit. Ms. Holzknicht has also scheduled regular chart reviews at all of the HFLF contracted housing sites to ensure that paperwork is being completed according to DMH standards.

If there should be any remaining questions and/or requirements, please don't hesitate to contact me.

Yours truly,

Carol M. Liess
Executive Director
HOMES FOR LIFE FOUNDATION

Cc: Dr. Marvin Southard, Director
Department of Mental Health